

*Added Value:*  
Facebook Advertising  
Boosts Paid Search  
Performance



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# Executive Summary

The following research provides clear evidence that Facebook advertising has a direct, positive effect on paid search marketing performance. For the purposes of this study, Kenshoo analyzed recent paid search results for a leading retailer with more than 2,500 stores in the United States in which certain segments of the target audience were exposed to both paid search and Facebook advertising while others were exposed to paid search alone.

**The data show that the paid search audience segments which were exposed to Facebook advertising generated 30% more Return on Ad Spend (ROAS).** This lift was fueled by a significantly higher average order value (AOV), better click-through rates (CTR), and a lower cost-per-acquisition (CPA).





# Introduction

As digital marketing begins its next evolutionary step, most advertisers are seeking clarity to one very important question: “How do my marketing efforts work together to influence my target audience and convert into high-value customers?” This is particularly important given the variety of digital channels available to marketers. Marketers have long known that channels like search and retargeting are highly effective at capturing demand. At the same time, they understand that channels such as display and video advertising can be highly effective at creating demand. What’s less clear is whether and how demand creation and capture channels work together synergistically.

The answer is a key input to addressing other burning issues related to effective ad planning and buying, campaign optimization, budget allocation, etc. After all, consumers don’t experience a brand’s multi-channel marketing in pieces but rather as one ongoing conversation – crafting that conversation using the right mix of media and creative is crucial to driving successful outcomes.

As more and more dollars flow into digital marketing, there’s a lot at stake. Marketers who can best understand cross-channel dynamics will be able to harness the available synergy and generate a higher return from their programs.

Because it is a fast-growing channel with strong reach, Facebook advertising’s influence on paid search is a good area to examine. Most blue chip marketers invest heavily in paid search and, if Facebook ads can help improve search engine marketing (SEM) performance in addition to their direct effects, the bottom line impact could be significant.

In this paper, we will analyze a recent paid search campaign for a large, international retailer and demonstrate how Facebook advertising was able to increase performance on paid search metrics.





# Methodology

This research reflects an analysis of live campaign performance data from a leading retailer with more than 2,500 stores in the United States during August and September 2013 (the “study period”). This research was funded in partnership with Facebook. Kenshoo collected all of the data, conducted the analysis, and authored the white paper. The advertiser paid for all media costs and did not receive free impressions from Facebook.

For the purposes of this study, only online conversion data from the advertiser’s ecommerce site was tracked to determine the impact of Facebook advertising on paid search performance. The retailer utilizes a click-based “Prefer Last” attribution methodology (please see Appendix for more details) which distributes conversion value to multiple ads in the path to purchase as opposed to solely attributing all weight to the last ad clicked. Although the campaign ran for three weeks, the performance data was analyzed four weeks after the end of the campaign so latent conversion activity could be included.

Throughout the campaign, targeted to desktops, laptops and specific geographic areas, a test group of consumers were exposed to both paid search and Facebook advertising in some markets (“Search + FB”) while a control group was exposed to only paid search advertising in comparable markets (“Search Only”). The paid search campaigns were focused on apparel and consumer electronics and contained some branded terms but were very heavily weighted towards unbranded keywords with average positions ranging between 3 and 6. As these were live campaigns, paid search bid optimization was performed throughout the study period. Facebook advertising consisted of page post link ads and page post photo ads in the news feed.



# Methodology continued...

The Search + FB group and the Search Only group utilized the same set of paid search ad creative and directed traffic to the same landing pages on the advertiser's website. As well, each group was comprised of multiple markets in different regions to lessen the impact of geographic data skew.

As this study used a "paired market" methodology, the following factors were evaluated to ensure comparability:

- Historical sales/revenue during the study period
- Forecasted sales/revenue for the study period
- Planned in-market advertising spend levels during the study period
- In-store merchandising spend levels during the study period

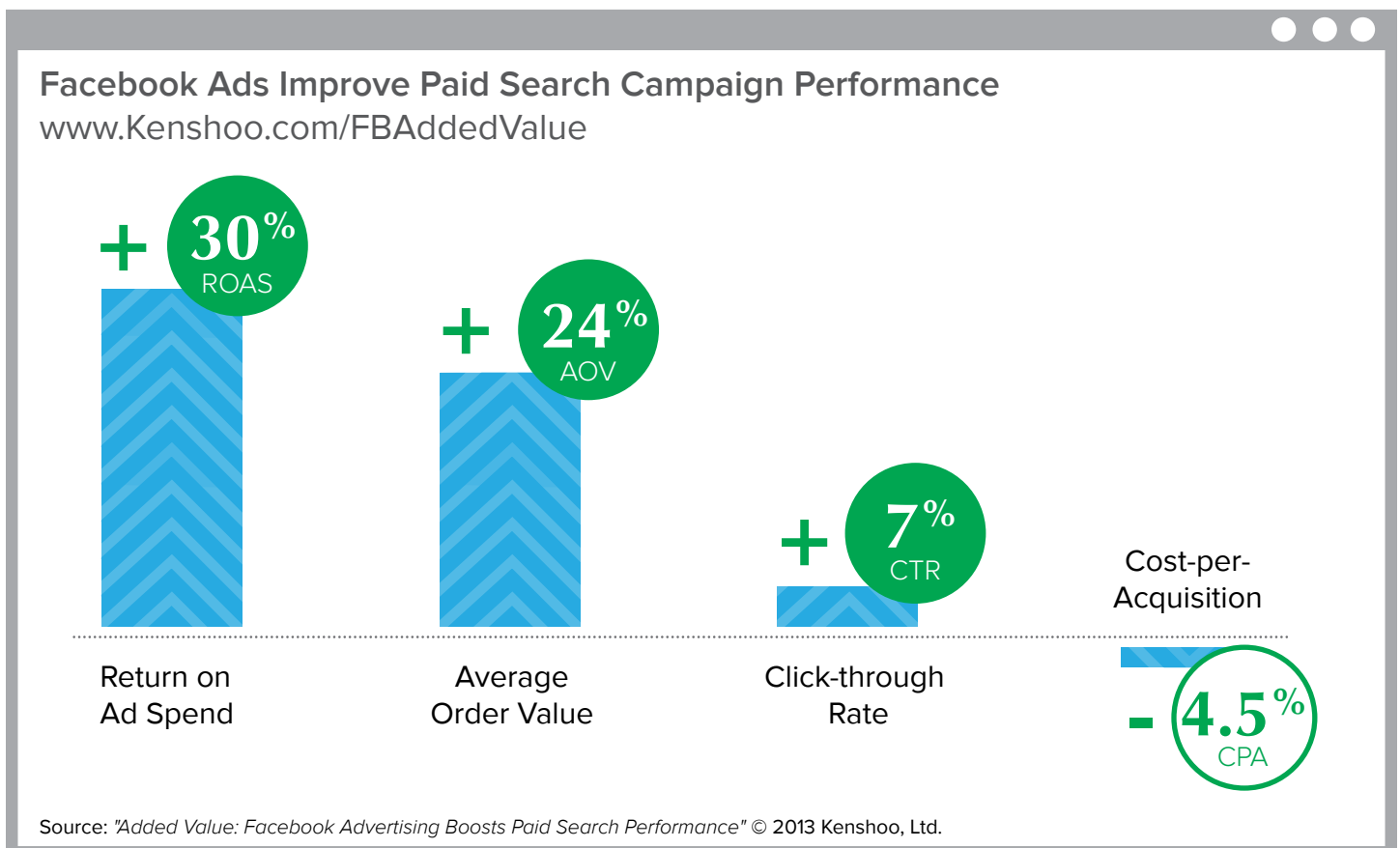
The data presented focuses on ratio metrics (ROAS, AOV, CTR, and CPA) versus absolute numbers (total clicks, total revenue, etc.) in order to focus on performance in relation to overall numbers which are more appropriate when making comparisons between channels. For example, a campaign with a click-through rate of 5% is clearly better than one with a 2% CTR when spend levels and impression volumes varied slightly between the two.

*Note : The data in this white paper does not aggregate paid search and Facebook advertising metrics but rather is a pure analysis of paid search performance during the study period. The Facebook advertising run during this time generated significant, direct return and was considered by the advertiser as a very successful advertising campaign independent of its cross-channel impact. The goal of this research is to quantify the impact that Facebook advertising has on paid search performance.*



# Top Takeaway

The ROAS of paid search for the Search + FB group was 30% higher than the Search Only group during the period of analysis. This provides strong evidence that Facebook advertising delivers additional benefit as a performance-driver when run alongside paid search.



# Key Findings

When comparing media performance across channels, it's critical to isolate ratio metrics such as ROAS, AOV, CTR, and CPA (see Appendix for definitions). After all, total clicks, total orders, and total revenue could have been the result of higher budgets – i.e. it's not apples to apples if one channel spent \$100,000 while another spent \$1,000,000. Of course, there's always a concern over diminishing returns and other variables, but ratio metrics provide the best lens available for the purpose of media comparison.

In a post-campaign analysis of the Search Only and Search + FB paid search advertising performance conducted during the study period, we found that the Search + FB group delivered better results on all key ratio metrics.

## 30% Higher Paid Search Return on Ad Spend (ROAS)

If marketers only had one Key Performance Indicator (KPI) to compare media channels, the metric of choice would be ROAS, which is calculated as Revenue/Cost. For example, if an advertiser spent \$20 and generated \$100 in sales it had a 5x ROAS. Even media with different conversion goals can be easily evaluated based on how much it returned versus how much it spent.

For the Search + FB group, ROAS was 30% higher than the Search Only group. The fact that Facebook advertising on its own during this study was declared a successful initiative AND had such a strong impact on paid search is indicative of the power of the platform.





# Key Findings continued...

## 24% Higher Paid Search Average Order Value (AOV)

Average order value is a very important KPI in understanding the true value of marketing performance. For example, if two channels both generated 1,000 orders from 100,000 site visits, it could initially seem that they performed similarly. However, if one channel was able to generate 24% more revenue from each order, it becomes immediately clear that it performed better than the other.

In the campaign analysis we performed, Search + FB drove a 24% higher AOV which means that consumers who were exposed to social advertising became higher-value customers for this retailer.

## 7% Higher Paid Search Click-through Rate (CTR)

Digital marketers view CTR as a strong indicator of how interested consumers are with a brand's message – i.e. the more interested they are, the more they may be willing to click an ad. The paid search group that was exposed to Facebook advertising had a 7% higher click-through rate than the Search Only group, implying that social advertising was able to positively impact consumer awareness and perception of the brand.

Paid search is a pull medium – it is highly effective at capturing existing demand – as it requires consumers to search on specific keywords to trigger a brand's ads. Paid search marketers must maximize their click-through rates in order to generate the most clicks from this finite inventory.

In this instance, Facebook advertising was able to continue and improve the brand/consumer conversation between consumer searches and generate more clicks per thousand impressions than the Search Only group. This may be one of the most significant and powerful ways in which these two media channels can interact.

## 4.5% Lower Paid Search Cost-per-Acquisition (CPA)

CPA is certainly an important metric to marketers and a lower cost-per-acquisition means that they are able to pay less for each conversion. On the surface, 4.5% may not seem significant when compared to some of the other high numbers reported in this study, yet ask any advertiser if they could lower their costs to bring in orders by this amount and they would all jump at the opportunity.

When you also put into context that the Search + FB group had a 24% higher average order value, the fact that Facebook advertising was able to influence both sales and the cost to acquire those sales, the positive impact on ROAS becomes apparent.





# Recommendations

## 1. Leverage multiple channels to control the conversation

Facebook advertising complements paid search as a way to improve the brand/consumer conversation between searches. By the time the consumer searches again for an advertiser's top keywords, he or she may be more likely to click ads and spend more per order on the brand's site if they've also been able to engage with the brand on Facebook. Marketers need to focus on ways to continue the paid search relationship with their consumers on social platforms.

## 2. Connect the dots for your organization

Marketers should conduct similar studies like the one presented in this research in order to uncover the synergy between paid search and Facebook advertising. Understanding the connections between the two channels and harnessing this value can infinitely optimize total campaign performance.

## 3. Deploy cross-channel measurement

Measurement is key to understanding cross-channel media performance. Multi-touch attribution (MTA) tools are needed to best understand each consumer's path to conversion and then aggregate those results to know how the conversion credit should be applied to each channel. The retailer in this study utilizes a Prefer Last MTA model which gives most credit to the last media touch in a consumer's journey but also assigns credit to those channels which also impacted and influenced the conversion.





# Summary

Marketers have always known that complex relationships exist within their cross-channel media efforts. Push or pull on one channel, and there could be positive or negative ripple effects on others.

With almost every major advertiser relying on paid search as a key source of discovery and conversion, the SEM channel is the best place to start understanding this interplay. And, as Facebook and other forms of social advertising gain prominence on media plans for their ability to drive targeted reach as well as direct response results, the time is now to figure out how these two channels best work together in order to plan, buy, and optimize for maximum overall program performance.

The research presented in this study clearly shows that there is a very powerful opportunity here for those marketers willing to make the effort to uncover these insights and act on the results. With paid search and social advertising representing over half of digital marketing budgets, the time is now to start moving forward in an omni-channel marketing approach and leave behind the single, siloed channel strategy.



# About Kenshoo

Kenshoo is a digital marketing technology company that engineers premium solutions for search marketing, social media and online advertising. Brands, agencies and developers use Kenshoo Search™, Kenshoo Social™, Kenshoo Local™ and Kenshoo SmartPath™ to direct more than \$25 billion in annual client sales revenue. Kenshoo is the only Facebook strategic Preferred Marketing Developer with native API solutions for Facebook, FBX, Twitter, Google, and Bing Ads.

The Kenshoo platform delivers Infinite Optimization™ through closed-loop targeting, universal integration, and dynamic attribution. Kenshoo's adaptive technology, proven algorithms, and unmatched scale power campaigns in more than 190 countries for nearly half of the Fortune 50 and all 10 top global ad agency networks. Kenshoo clients include CareerBuilder, Expedia, Facebook, KAYAK, iREP, John Lewis, Resolution Media, Tesco, Travelocity, Walgreens, and Zappos. Kenshoo has 18 international locations and is backed by Sequoia Capital, Arts Alliance and Tenaya Capital. Please visit [www.Kenshoo.com](http://www.Kenshoo.com) for more information.



# Appendix

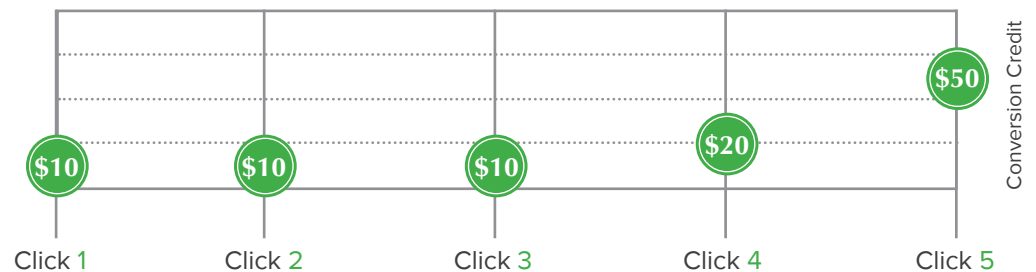
## Prefer Last attribution

Under Prefer Last attribution, the last ad in the customer journey receives a majority of the credit and each preceding touch receives credit in a rules-based, linearly decaying fashion.

### Sample use case for Prefer Last attribution:

In highly competitive markets, consumers are constantly bombarded with advertising and information. In this environment, advertisers can give more credit to the final touches that helped push the sale the last mile to the finish line. Unlike Last Ad, where only the final touch-point is credited value, the initial placements of the customer's journey still receive some credit so that their value isn't completely blinded to the marketer. Prefer Last is a way for marketers to test multi-touch attribution models without moving away too much from Last Ad.

**For example:** In a conversion worth \$100 (a sale, a form completion, etc.) that had 5 touch-points with the converter, the last placement may receive \$50 of the credit while the second to last placement could receive \$20, the third to last placement \$10, and so forth.



## Metrics used in this research:

### Return on Ad Spend (ROAS)

- Calculated as Revenue/Media Spend  
*Example: \$100 in sales/\$25 spent = \$4 ROAS*

### Click-through rate (CTR)

- Calculated as Clicks/Impressions  
*Example: 100 clicks/1000 paid search impressions = 10% CTR*

### Cost-per-acquisition (CPA)

- Calculated as Media Spend/Acquisitions  
(in this study, acquisitions = website orders)  
*Example: \$1000 spent/10 website orders = \$100 CPA*

### Average Order Value (AOV)

- Calculated as Revenue/Orders  
*Example: \$10,000 in revenue/100 orders = \$100 AOV*

